

Senate Bill 1265 (Alquist)
Statements of Economic Interests: disclosure of income: online filing
Version: Amended March 13, 2006
Status: Senate Elections Committee (4/19)

Summary

Senate Bill 1265 would add Statement of Economic Interests (SEI) disclosure categories for reporting each single source of income over \$10,000 to a business entity in which the filer has an ownership interest of 10% or more. The proposed categories range from \$10,000 to \$1 million or more.

The bill would also require elective state office candidates and incumbents to file their SEI's online or electronically as required by regulations to be adopted by the Commission. The bill requires the Commission to develop a process for this free online electronic filing by January 8, 2008.

Recommendation

Staff recommends the Commission adopt a position of "oppose unless amended/support if amended" to include adequate funding for costs incurred by the Commission.

Background

Provision 1: SEI Income Disclosure

Under existing law, an SEI filer who has a 10% or greater interest in a business entity must name each single source of income of \$10,000 or more to that business entity on Schedule A-2 of the SEI. This is listed under part 3 of SEI Schedule A-2, which provides only lines where the names of the single sources may be listed.

Senate Bill 1265 amends section 87207(b)(2) to add reporting categories where there currently are none for disclosure of each single source of income over \$10,000 to a business entity in which the filer has an ownership interest of 10% or more. (Schedule A-2, part 3.) Instead of providing only the name of each single source, the filer would also be required to disclose the amount of income from that single source to the business entity in the following increments:

Required disclosure categories for reporting single source income to a business entity	
Current Category	Proposed Categories
Over \$10,000 (only the name of the single source is required if income from the source is more than \$10,000)	\$10,000 to \$50,000
	\$50,001 to \$100,000
	\$100,001 to \$250,000
	\$250,001 to \$500,000
	\$500,001 to \$1,000,000
	Over \$1,000,000

Two other pending bills would also make changes to SEI disclosure categories; however, both bills amend different subsections than SB 1265.

Assembly Bill 1391 amends section 87207(a)(2) to expand the existing categories of reporting of the aggregate value of income from a business or loan, regardless of whether the filer has an ownership interest of 10% or more. (Schedule A-2, part 2; and Schedule C, parts 1 and 2)

Assembly Bill 2432 amends section 87207(a)(2) to add the same type of categories as in AB 1391, but with different dollar amounts. Assembly Bill 2432 also amends section 87206(d) to expand the categories of reporting the fair market value of an investment or interest in real property. (Schedule A-1; Schedule A-2, parts 1, 2, and 4; Schedule B; and Schedule C, parts 1 and 2)

In addition, this provision is similar to language that existed previously in SB 472 (Alquist), but that language was amended out of the bill in January.

Provision 2: Online Filing

Existing law requires no electronic filing of SEI's. Currently, elective state officeholders must file their SEI's with the agency, and the agency keeps a copy, sends a copy to the Secretary of State, and forwards the original to the Commission. Candidates for elective state office must file their SEI's with the filing official with whom they filed their declaration of candidacy; that filing official keeps a copy, sends a copy to the Secretary of State, forwards the original to the Commission, and sends a copy to the LA County Recorder and the San Francisco County Clerk. The Commission is considered the filing officer for all of these SEI's.

Section 82024 defines "elective state office" to include the office of the Governor, Lieutenant Governor, Attorney General, Insurance Commissioner, Controller, Secretary of State, Treasurer, Superintendent of Public Instruction, Member of the Legislature, elected member of the CalPERS Board of Administration, and State Board of Equalization member.

Senate Bill 1265 adds subdivision (p) to section 87500 to require elective state office candidates and incumbents to submit their statements electronically after December 31, 2007. It requires the Commission to adopt regulations regarding electronic filing, develop a free online filing system, and make the system accessible to the public by January 1, 2008. It also specifies that a filer's home address shall not be accessible to the public under the provisions of this bill.

Related prior legislation, SB 49 (Chapter 866, Statutes of 1997), by Senator Karnette, added the Online Disclosure Act (ODA) to the Political Reform Act in 1997. The ODA established online disclosure of information that was previously required to be filed by paper copy with the Secretary of State; this generally included certain state committee campaign statements and lobbyist, lobbying firm, and lobbyist employer reports. However, this did not include SEI's. The Commission supported SB 49.

Analysis

Provision 1:

Staff does not object to the proposed business entity income disclosure changes.

Provision 2:

Staff had concerns about the previous version of the SEI online filing provisions of SB 1265. We communicated these concerns to the author, and most of them were addressed by the latest amendments.

The remaining concern is the issue of funding. Currently, the Commission has no system for filing SEI information online. The fiscal impact of the bill would depend on the type of system used to provide the online filing and public access. It will take substantial resources to provide the ability for online filing by the official. On the other hand, it will take significantly more resources to provide the information in a searchable database format. Staff feels that the latter would be far more user friendly and workable. In addition, if the trend for online filing continues for other SEI filers (which number in the thousands), then the latter option would be almost a necessity in terms of maintenance and accessibility.

Fiscal Impact

Provision 1:

The SEI income disclosure provision would require the Commission to restructure the SEI/Form 700 and revise the instructions to accommodate the new categories. Costs would consist of staff time and resources to make these changes and potential staff time in answering questions from filers. Staff estimates that costs related to the single source income disclosure would be approximately \$10,000 to \$20,000.

Provision 2:

The fiscal impact for the online filing provision is difficult to determine since it depends on the type of system used. Regardless of the type of system used, there will be substantial costs imposed on the Commission to implement online filing of SEI's. The Commission's Information Technology Manager has requested estimates from vendors for various options, which we hope to provide at the April Commission meeting. Staff acknowledges that the cost of purchasing the software alone will likely be enough that the Commission would be forced to layoff at least one employee unless additional funding is provided. For this reason, staff suggests the Commission adopt a position of "oppose unless amended/support if amended" to include adequate funding.